



ICAO

International Civil Aviation Organization
North American, Central American and Caribbean Office

INFORMATION PAPER

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**Twelfth North American, Central American and Caribbean Directors of Civil Aviation Meeting
(NACC/DCA/12)**

Placencia, Stann Creek District, Belize, 9-11 July 2024*

Agenda Item 8: Challenges to Air Connectivity in the Americas Panel

AIR TRANSPORT UPDATES

(Presented by the Secretariat)

EXECUTIVE SUMMARY

This paper provides updates on:

- (i) economic and traffic forecasts at global and North American, Central American and Caribbean (NACC) levels; and
- (ii) ICAO's work related to air transport policy and regulation as well as infrastructure management.

Strategic Objectives:

Economic Development of Air Transport

References:

Resolution A41-27

1. Introduction

1.1 The Economic Development of Air Transport is one of the five Strategic Objectives of ICAO. It aims at fostering a sound and economically viable civil aviation system that generates wealth, employment and numerous socio-economic benefits through its activities. The objectives of ICAO's air transport policy and regulation programmes are aimed at:

- reducing State's costs in performing its economic regulatory functions
- increasing consumer's benefits and choices;
- improving air connectivity; and
- creating more competitive business opportunities in the marketplace.

The above contribute to the sustainable economic development of States and support the growth of trade and tourism.

1.2 This paper presents an update on ICAO's work on air transport policy and regulation and infrastructure management, as well as the air traffic recovery trend from the COVID-19 pandemic and traffic forecasts at both global and NACC levels.

2. Discussion

Air traffic recovery from the COVID-19 pandemic and traffic forecasts

2.1 The year 2023 has been marked with a strong recovery in air travel since the COVID-19 pandemic. In particular, international travel has gained significant momentum after a long period of traffic decline. ICAO's latest analysis also reveals new insights into aviation for 2023, revealing that air traffic on most routes had already reached or surpassed pre-pandemic levels by the end of the year. This is aligned with ICAO's earlier prediction of an almost complete recovery of passenger air traffic on a global scale by the end of 2023, namely around 95 per cent of 2019 pre-pandemic levels.

2.2 Traffic recovery in the NACC region also showed resilience in 2023, with total passenger traffic in terms of departures recovering to around 91 per cent of the pre-pandemic level, according to the ICAO big data dashboard. International and domestic passenger traffic in NACC recovered to approximately 86 and 93 per cent, respectively. The air cargo traffic in 2023 recorded 91 per cent of the 2019 level, in the region.

2.3 ICAO forecasts that the global air passenger demand this year to be around 3 per cent above 2019 levels, and could reach 4 per cent if the pace of recovery strengthens in the routes that have not yet reached pre-pandemic levels. This translates to a Compound Annual Growth Rate (CAGR) of around 0.5 per cent over the 2019-2024 period. Global air cargo demand expressed in Freight Tonne-Kilometres (FTK) is forecast to be around 2 per cent below 2019 levels for the full year 2024. This decline is mainly reflective of anticipated reductions in demand due to overall economic weakness worldwide.

Aviation data and analysis

2.4 **Global Aviation Competitiveness Index (GACI).** The Aviation Competitiveness Index Working Group (ACWG) was established by the Aviation Data Analysis Panel (ADAP) and held multiple meetings. The main goal of the ACWG is to develop methods and data sources for measuring the competitiveness of the aviation sector worldwide. This index can help achieve better results and support policy actions among States. The group has agreed on the definition of aviation competitiveness, its proposed pillars and metrics and the methodology to build GACI. The results of GACI will initially be disseminated at the regional level.

2.5 **ICAO Big Data Dashboard.** The Aviation Data and Analysis Section of ICAO has worked with the United Nations Global Big Data Group to develop business intelligence dashboards for data driven decision making. The online dashboards have been developed using the state-of-the-art Tableau platform, which provides visualization and querying capabilities. Each Member State has been provided with one free license according to the State Letter 22/67.

2.6 **Global aviation gender equality.** ICAO's latest global survey on the status of licensed aviation personnel by gender reveals that the participation of women holding positions as pilots, air traffic controllers, and maintenance technicians has increased on an overall basis from 4.5 per cent globally in 2016, to 4.9 per cent in 2021. ICAO has published new analytical dashboards on the participation of licenced female aviation personnel in the workforce, and it is expected that countries access to and awareness of the new data will lead to better informed targets and policy making to help reduce the still significant aviation gender gap

<https://public.tableau.com/app/profile/icaodataanalytics/viz/RegionalPersonnelByGenderAnalysis/PersonnelbyGender>).

2.7 **New Monthly Monitor.** The Monthly Monitor contains a wide array of traffic analysis (passenger and cargo) as well as operational data - aircraft departures, active fleet and movements made in the Flight Information Regions (FIRs) of States. The data available is the most current till a month preceding the month of the monitor. The revamped Monthly Monitor contains a full suite of analytics to facilitate States in monitoring the evolution of traffic and capacity relative to the pre-COVID levels. The new Monthly Monitor also incorporates big data and machine learning algorithms to make short-term forward projections for the remaining months of the year. Member States and Delegates are also invited to access the Monthly Monitor using the tableau licenses granted to them for a more dynamic and interactive visualization.

Air transport liberalization

2.8 **ICAO's Long-term Vision for International Air Transport Liberalization.** At the 41st Session of the ICAO Assembly (A41) held in 2022, Member States were urged to give regard to, and apply, the *ICAO Long-term Vision for International Air Transport Liberalization* in their policy-making and regulatory practices. ICAO has therefore embarked on enhancing dialogues and exchange of information amongst Member States and industry on liberalization of market access for passenger and air cargo services through various fora, including the annual ICAO Air Services Negotiation Event (ICAN). The Sixteenth ICAN Event will be held from 21 to 25 October 2024 in Kuala Lumpur, Malaysia.

2.9 **Benefits and challenges of liberalization and barriers to opening market access.** At the Seventeenth Meeting of the Air Transport Regulation Panel (ATRP/17) held in April 2024, the panel deliberated on outcomes and status of several measures taken in building a better understanding of the benefits and challenges of liberalization and barriers to opening market access, so that further consideration could be given to the development of a multilateral approach. The panel concluded that while there are clear benefits of liberalizing market access, liberalization on a broad scale, or even globally, is unlikely to be achieved through a comprehensive multilateral instrument soon. The panel also agreed that multiple milestones can be achieved, while working towards a long-term objective, including an initial data and information collection to identify the factor possibly hindering the opening of market access, in particular political (un)willingness, protectionism and other non-technical areas. The panel intends to continue this task through its working group.

2.10 **Liberalization of air carrier ownership and control.** Following the recommendations of the Sixth Worldwide Air Transport Conference (AT-Conf/6) held in 2013, the Air Transport Regulation Panel (ATRP) was tasked to address the remaining issues of concern in developing the Convention on Foreign Investment in Airlines for liberalization of air carrier ownership and control. At ATRP/17, the panel discussed the progress of this task and reported its recommendation to the ATC at its Second Meeting of the 232nd Session. The ATC agreed with the panel that the work on the development of a draft Convention in its current form is not feasible at this time and that the panel should amend the Template Air Services Agreement (TASA) to provide States with an alternative approach. The ATC also agreed for the panel to work with the Secretariat in conducting a survey on foreign investment in airlines to identify States' existing domestic laws relating to investment in airlines; their "appetite" for a Convention on Foreign Investment in Airlines; and the "safeguard" measures they might require to be comfortable with such a Convention. The outcome of this survey would help guide the panel's future work on the draft Convention on Foreign Investment in Airlines.

2.11 **Specific agreement to further liberalize air cargo services.** The further liberalization of air cargo services is also one of the recommendations of AT-Conf/6 and the ATRP was tasked to examine whether there is enough justification to consider the development of a specific international agreement to facilitate further liberalization of air cargo services. At ATRP/17, the progress of this task was discussed, and the panel concluded that the liberalization of air cargo is desirable, however, this does not necessitate the development of a comprehensive, standalone multilateral agreement, rather it should continue to be pursued by Member States through bilateral, and potentially through other regional or multilateral approaches. The panel also recommended that the TASA should be updated to support Member States in facilitating further liberalization of air cargo services.

2.12 **The operations of unmanned aircraft.** Pursuant to Resolution A41-27, the ATRP also conducted an in-depth assessment on whether there is a need to develop guidance on economic regulation of international operations of unmanned aircraft system (UAS). The panel concluded that States should be wary of overregulating international UAS operations at this stage, to allow them to grow and mature, and a regulatory sandbox approach, with clearly defined criteria for its formation and dissolution, would be useful in testing potential regulatory parameters, relevance and effectiveness of economic regulations for evolving UAS operations. The panel was also of the view that a bilateral approach on the economic regulation of UAS operations would be more appropriate before multilateral arrangements or global harmonization could be considered. The panel intends to continue this task through its working group, by monitoring the progress of the UAS industry, promote sharing of best practices, and continue discussions concerning economic regulatory practices of UAS operations.

2.13 **Response to crisis.** At A41, the Council was requested to prepare guidelines to provide States with the flexibility to temporarily respond to international crises whilst protecting the integrity of Air Services Agreements (ASAs). ATRP/17 considered a draft *Guidance to Ensure Air Services Agreements (ASAs) Continue to Provide a Predictable Framework During Crises Impacting International Air Services*, and subsequently recommended the draft guidance to the ATC, which was approved during the 232nd Session.

2.14 **Article 15 of the Chicago Convention.** The Economic Commission during A41 agreed that more specific guidance and a legal analysis are required for Member States to better understand and apply Article 15 of the Chicago Convention and, to that end, that the Air Navigation Services Economics Panel (ANSEP) and the ATRP, in consultation with the Legal Committee, should undertake an analysis to look specifically at the question of whether a State's differential conditioning of grants of airspace access to other States is consistent with the national treatment standard and the principle of non-discrimination set forth in the Convention. At ATRP/17 this task was discussed by the panel, and based on the recommendations made, the ATC endorsed that there is a need for more clarification and guidance on the provisions of Article 15 of the Chicago Convention to ensure compliance by Member States. The ATC also agreed for a working group of the ATRP to liaise with the Airport Economics Panel (AEP) and ANSEP to provide more clarifications and guidance for the compliance of Member States to Article 15 of the Chicago Convention.

Competition laws and policies

2.15 **Compendium of Competition Policies and Practices.** As recommended by AT-Conf/6 and by the ATRP, ICAO produced the compendium on competition policies and practices, which has been made available online. The compendium contains useful information on States' competition policies, laws and regulatory practices in the field of competition. It also holds information on competition cooperation

engaged by regional organizations. In promoting effective information sharing, States and regional organizations are encouraged to share with ICAO updates on their respective competition policies and practices.

Consumer protection and Emergency Response Planning

2.16 **Montreal Convention of 1999 and ICAO Core Principles on Consumer Protection.** At A41, Member States that have not yet become parties to the Montreal Convention were urged to consider doing so. To date, 139 States are signatories to the Montreal Convention. States and concerned stakeholders were encouraged to give due regard to and apply the ICAO Core Principles on Consumer Protection in policy-making, regulatory and operational practices, including in case of massive disruptions impacting aviation. Member States were also encouraged to keep ICAO informed of the experiences gained or issues encountered in their application. In promoting information sharing among Member States, ICAO continues to update the Compendium on Consumer Protection and Compendium on States' Emergency Response Plan. Both compendia respectively contain information on national regulatory regimes related to consumer protection and best practices in the matter of response to and coordination of massive airport/airline disruption.

Infrastructure Management / Airports and Air Navigation Services Economics

2.17 ICAO's infrastructure management programme contributes to the development of a sound and economically viable civil aviation system by promoting the efficient development of aviation infrastructure. The programme focuses on the economics of airports and air navigation services including charges, as well as the funding and financing for aviation infrastructure development.

2.18 Among its efforts, ICAO develops policies on charges for airports and air navigation services in relation to the economic situation of international civil aviation, and addresses funding and financing for aviation infrastructure including the new infrastructure funding needs to support emerging activities and industry innovation. ICAO also provides States, airports and air navigation services providers (ANSPs) with guidance on the implementation of its policies on charges and cost recovery for the provision of services.

2.19 At the Ninth Joint Meeting of the Airport Economics Panel and Air Navigation Services Economics Panel (AEP-ANSEP/9) held from 17 to 19 October 2023, the meeting made recommendations to the following areas:

- a) update of *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082);
- b) clarification on Article 15 of the Chicago Convention regarding fees and charges for airspace access;
- c) enhancing the implementation of ICAO's policies on charges;
- d) sustainable funding for civil aviation authorities and States' oversight functions;
- e) economic aspects of UAS and potential cost recovery mechanisms for UAS operations;
- f) cost recovery for the provision of aeronautical meteorological (MET) services and Space Weather Information Services;

- g) updates to the online version of *Tariffs for Airports and Air Navigation Services* (Doc 7100); and
- h) economic oversight of transnational/supranational ownership of airports.

2.20 **Update of ICAO's Policies on Charges for Airports and Air Navigation Services (Doc 9082).** AEP-ANSEP conducted a comprehensive review of Doc 9082, and the proposed revisions were endorsed by AEP-ANSEP/9. Main considerations in the review of the policy document included the need to clarify the key charging principles, highlight the compliance with the provisions of Article 15 of the Chicago Convention, incorporate changes adopted in relevant guidance manuals, update of the terminologies, and improve the readability of the texts. The proposed revisions to Doc 9082 have been considered and approved by the Council at its 232nd Session.

2.21 **Clarification on Article 15 of the Chicago Convention regarding fees and charges for airspace access.** AEP-ANSEP/9 considered two distinct proposed texts aiming at clarifying certain aspects of Article 15 of the Chicago Convention. Firstly, the meeting reviewed and agreed on the proposed text for inclusion in Doc 9082. Secondly, the meeting agreed on the inclusion of wording proposed for inclusion in the *Manual on Air Navigation Services Economics* (Doc 9161), which would be published as amendment of the current Sixth Edition. In addition, the meeting requested ICAO to issue a State letter as reminder to all Member States to adhere to the provisions of Article 15 of the Chicago Convention and to ICAO's policies on granting approval for the use of their airspace.

2.22 **Enhancing the implementation of ICAO's policies on charges.** AEP-ANSEP/9 recommended that the scope and perspectives in relevant workshops and training programmes be expanded, and the ICAO survey be reviewed to obtain a comprehensive overview of States' mechanisms for the implementation of ICAO's policies and principles. The review would also provide for the validation of responses and measures to incentivize States' responses. In respect of guidance related to commercial agreements between airports and airlines, as well as to black swan events, the meeting agreed to address the issues through a working group under the panel.

2.23 **Sustainable funding for civil aviation authorities and oversight functions.** AEP-ANSEP/9 considered the findings from a survey conducted by the ICAO European and North Atlantic (EUR-NAT) Regional Office on funding mechanisms of civil aviation authorities (CAAs) in the region to perform oversight functions, and agreed that these could be leveraged for the development of a global survey to collect information on sustainable funding mechanisms for oversight functions.

2.24 **Economic aspects of UAS and potential cost recovery mechanisms for UAS operations.** AEP-ANSEP/9 agreed on the need to advance the activities undertaken by the working group established by the panel related to cost-recovery mechanisms for UAS. In addition, the meeting agreed to expand the scope of the tasks to matters related to Advanced Air Mobility (AAM), commercial space transportation launches, higher airspace operations, and the issue of new entrants in general, while noting possible differing particularities of each new entrant and the possibility to approach the task through sub working groups, as necessary.

2.25 **Cost recovery for the provision of aeronautical MET services and Space Weather Information Services.** AEP-ANSEP/9 recommended to continue collaborate with the Meteorological Panel on the issue of cost recovery for the provision of aeronautical meteorological services and space weather information services.

2.26 **Updates to the online version of Doc 7100.** AEP-ANSEP/9 agreed to establish a new working group tasked with reviewing existing guidance in Doc 9161 on invoicing practices for aeronautical charges and possible ways of improving it to provide an agreed minimum level of details to be contained in invoices, taking into account national and regional differences worldwide.

2.27 **Economic oversight of transnational/supranational ownership of airports.** AEP-ANSEP/9 recommended to conduct a survey among Member States to determine what portion of their services providers are owned and operated by a transnational entity; what challenges exist in their regulation/oversight; and what, if any, regulations, or administrative procedures are in place to ensure that the State is able to effectively provide economic oversight. The survey results could eventually inform further actions by the designated working group, including the development of relevant best practices for States.

2.28 Pursuant to the recommendations of AEP-ANSEP/9, five working groups were established to carry out the tasks assigned by the meeting. Results of the working groups will be reported to the Tenth Joint Meeting of the AEP-ANSEP, which is currently scheduled for January 2025.

2.29 **Raising awareness of ICAO's policies on charges.** Continuous efforts have been made to raise awareness and enhance the implementation of ICAO's policies on charges. Regional workshops have been conducted in coordination with ICAO regional offices and the industry organizations. From 21 to 23 May 2024, the ICAO/Latin American Civil Aviation Commission (LACAC) North American/Central American and Caribbean/South American (NAM/CAR/SAM) capacity building workshop on economic regulation and oversight was conducted in collaboration with the ICAO North American, Central American and Caribbean (NACC) and SAM offices. One of the main objectives of the workshop was to increase knowledge of ICAO's policies on charges and taxation, and enhance expertise on economic oversight of airports and air navigation services.

ICAO's capacity building supports to States

2.30 To assist States in enhancing their capacity in air transport economic regulation, ICAO offers support in various forms such as online training, classroom/virtual training and regional workshops/seminars. Four air transport regulation online courses are available including online courses on air transport regulation, air transport regulation issues and air transport economics. ICAO is also collaborating with Airports Council International (ACI) to offer training on airport user charges. The training is available either in classroom or virtual format. ICAO has been coordinating with the Regional Offices and industry organizations to organize regional workshops/seminars on economic regulation and economic oversight such as the ICAO/LACAC NAM/CAR/SAM Capacity Building Workshop on Economic Regulation and Oversight that was held in Panama City from 21 – 23 May 2024.

3. Action by the Meeting

3.1 The Meeting is invited to note the information provided.